

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 PA-02 PRS-01 USIA-15

STR-04 CEA-01 /086 W

----- 072154

R 071748Z MAR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8548

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 03873

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. L1652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING MARCH 6)

REF.: BONN 14863, BONN 17596, BONN 19802 (1974),

BONN 2986 AND BONN 3433

1. PROPOSED REVISION OF BANKING REGULATIONS: DESPITE
CRITICISM FROM MANY SOURCES, INCLUDING THE BANKING
INDUSTRY THE FEDERAL CARTEL OFFICE AND THE UPPER
HOUSE OF PARLIAMENT, THE GOVERNMENT, ACCORDING TO THE
PRESS, IS HOLDING FAST TO ITS PROPOSAL FOR THE REVISION
OF THE NATION'S BANKING REGULATIONS. THE REVISION,
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AMONG OTHER THINGS (SEE REFTELS) WOULD REQUIRE THAT

SINGLE LOANS NOT EXCEED 75 PERCENT OF A BANK'S CAPITALIZATION, THAT THE FIVE LARGEST LOANS NOT EXCEED THREE TIMES THE BANK'S CAPITAL AND THAT ALL MAJOR CREDITS (THOSE OVER DM 50,000) NOT EXCEED SIX TIMES THE BANK'S CAPITAL. CRITICISM HAS BEEN NOTABLY STRONG FROM THE SMALLER BANKS, WHOSE CHIEF PROBLEM MAY BE IN RAISING THEIR CAPITALIZATION.

2. FOREIGN EXCHANGE MARKET: THE DOLLAR RECOVERED SLIGHTLY FOLLOWING ITS HISTORIC LOW OF DM 2.2785 REACHED ON MARCH 3. DURING THE REPORTING WEEK SPOT AND FORWARD DOLLARS DEVELOPED AS FOLLOWS:

		FORWARD DOLLARS (DISCOUNTS IN PCT. P.A.)	
	SPOT DOLLARS	ONE-MONTH	THREE-MONTH
FEB 28	DM 2.2845	-0.8	-1.4
MAR 3	2.2785	-0.3	-1.3
4	2.2890	-1.3	-1.7
5	2.3035	-0.5	-1.5
6	2.2945	-1.3	-1.7

WITHIN THE JOINT FOAT ALL CURRENCIES, WITH THE EXCEPTION OF THE DANISH CROWN, WERE ABOVE THEIR DM CENTRAL RATES. NONE OF THE CURRENCIES REACHED THEIR UPPER DM INTERVENTION RATES.

3. MONEY MARKET: DURING THE REPORTING WEEK FRANKFURT INTERBANK MONEY RATES DEVELOPED AS FOLLOWS:

	CALL MONEY	ONE-MONTH MONEY	THREE-MONTH MONEY
FEB 28	7.5-7.7	5.9-6.2	6.3-6.5
MAR 3	7.2-7.5	6.0-6.4	6.2-6.5
4	6.3-6.7	5.8-6.0	6.0-6.3
5	5.5-5.8	5.8-6.0	5.8-6.1

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AMCONSUL FRANKFURT

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6 5.9-6.1 5.8-6.1 6.0-6.2

4. BOND MARKET: DURING THE REPORTING WEEK THE FAZ
AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC
BONDS DEVELOPED AS FOLLOWS:

8 PERCENT 7 PERCENT 6 PERCENT

FEB 28	8.92	9.10	8.68
MAR 3	9.14	9.08	8.73
4	9.13	9.06	8.69
5	9.13	9.06	8.74
6	9.13	9.07	8.73

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ON MARCH 5 THE STATE OF BADEN-WUERTTEMBERG ISSUED A
DM 300 MILLION LOAN (CONDITIONS: COUPON 8.50 PERCENT;
ISSUE PRICE 98.50 PERCENT; MATURITY 8 YEARS; YIELD
TO MATURITY 8.77 PERCENT). THE DUTCH PHILIPS COMPANY -
IN ADDITION TO ITS RECENTLY ISSUED LOAN OF DM 100 MIL-
LION (SEE BONN 2986) - HAS ISSUED AS A PRIVATE PLACE-
MENT A DM 50 MILLION LOAN WITH THE FOLLOWING CONDITIONS:
COUPON 8.75 PERCENT; ISSUE PRICE 99.50 PERCENT;
MATURITY 6 YEARS). THE NIPPON TELEGRAPH AND TELEPHONE

CORPORATION IS PLANNING TO ISSUE A DM 100 MILLION LOAN
(CONDITIONS: COUPON 8.75 PERCENT; MATURITY 7 YEARS)
WHICH WILL BE GUARANTEED BY THE JAPANESE GOVERNMENT.
THE DM 220 MILLION NORWEGIAN CROWN LOAN OF THE NORGES
KOMMUNAL BANK (SEE BONN 3433) WILL HAVE AN ISSUE PRICE
OF 100 PERCENT.

5. DATA ON CHANGES IN BUNDESBANK MONETARY RESERVES AND
BANK LIQUIDITY IN THE FOURTH WEEK OF FEBRUARY WERE NOT
AVAILABLE AT TIME OF PREPARATION OF THIS TELEGRAM.
HILLENBRAND

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